

Message Text

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ACTION EUR-12

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E.O. 11652 N/A
SUBJECT: BELGIAN MEDIA REACTION

THE SLIDE OF THE DOLLAR ELICITED BELGIAN MEDIA COMMENT
JULY 25 AS FOLLOWS:

LA CITE WRITES THAT "IT IS ONE OF THE PARADOXES OF THE
PRESENT SITUATION: BY LOSING ALL 'MONETARY BATTLES' THE
U.S. WANTS TO REINFORCE ITS POSITIONS ON THE INDUSTRIAL
FRONT. IT CAN AFFORD IT, THANKS TO THE INTERNATIONAL ROLE
PLAYED BY THE DOLLAR. SO LONG AS ITS INTERNATIONAL
POSITION WILL NOT BE CHALLENGED BY ANOTHER INTERNATIONAL
'MEANS OF PAYMENT' THE DOLLAR WILL REMAIN THE PRIVILEGED
INSTRUMENT OF INTERNATIONAL SPECULATION AND OF U.S.
AUTHORITIES. CONSIDERING THE COMPLETE ABSENCE OF A COM-
MON POSITION AMONG THE EUROPEANS, THE SITUATION IS NOT
LIKELY TO CHANGE BEFORE LONG."

DE NIEUWE GIDS WRITES: "APPARENTLY NOT MUCH WILL CHANGE
IN THE APPRAISAL OF THE DOLLAR RATE AS LONG AS PEOPLE
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PAGE 02 BRUSSE 14413 251438Z

IN WASHINGTON CONTINUE TO BELIEVE THAT A WEAK DOLLAR
MAKES U.S. PRODUCTS COMPETITIVE IN THE WORLD MARKETS AND
THAT THEREFORE THE BEST THING TO DO IS TO LET THE DOLLAR
FLOW, DOWNWARDS. AT FIRST SIGHT IT IS A THEORY WHICH IS
IRREFUTABLE. BUT EXPERIENCE TEACHES THAT IT DOES NOT
HOLD WATER. IT IS POSSIBLE, AS SWITZERLAND DEMONSTRATES,
TO HAVE A VERY STRONG CURRENCY AND STILL SEE AN INCREASE

OF EXPORTS, AS SHOWN BY THE LATEST SWISS FIGURES....
DEVALUATIONS APPARENTLY DO NOT PLAY A BIG ROLE ANYMORE
IN THE PROMOTION OF EXPORTS. THE EXAMPLE OF AMERICA IT-
SELF TELLS A LOT. DURING THE PAST FEW YEARS THE DOLLAR
FREQUENTLY DROPPED FROM ABOUT BF 38 TO 32. BUT THE U.S.
TRADE BALANCE DEFICIT HAS NOT DECREASED. ON THE CONTRARY:
IT INCREASED MORE STRONGLY THAN EVER. DURING THE FIRST
QUARTER OF 1978 THIS DEFICIT AMOUNTED TO NO LESS THAN 11
BILLION DOLLARS. THE GROWTH IN GNP HAS DECREASED. THE
FACTS THUS SHOW THAT THERE IS NO POSITIVE LINK BETWEEN
DEVALUATION, TRADE BALANCE AND GNP AS A YOUNG AMERICAN
ECONOMIST, MARC MILES OF RUTGERS UNIVERSITY, HAS QUITE
CONVINCINGLY DEMONSTRATED IN A STUDY. ON THE OTHER HAND,
INFLATION ROSE IN THE U.S. IT WAS ACCOMPANIED BY A FURTHER
DEPRECIATION OF THE DOLLAR. WHOLESALE PRICES EVEN IN-
CREASED BY 11.1 PERCENT IN THE U.S. BETWEEN LAST MARCH AND
MAY. DURING THE SAME PERIOD THE GERMAN PRICE INDEX ROSE
LESS THAN ONE PER CENT WHILE THE JAPANESE PRICES
DECREASED BY 1,5 PER CENT. THUS, ONE CAN CONCLUDE THAT
A DECREASING EXCHANGE RATE OF A CURRENCY DOES NOT AUTOMA-
TICALLY MAKE THE EXPORTS OF THAT COUNTRY INCREASE.
SECONDLY, THE MAIN FACT OF THE DEVALUATIONS SUCH AS THE
ONE OF THE DOLLAR TODAY IS THAT INFLATION IN THAT COUNTRY
INCREASES MORE STRONGLY THAN ELSEWHERE. THUS THE CONTINU-
ING DEPRECIATION OF THE DOLLAR SEEMS TO CAUSE IN THE U.S.
A SAGGING OF BUSINESS ACTIVITY RATHER THAN EXPANSION."
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PAGE 03 BRUSSE 14413 251438Z

ITEM

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